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Corporate real estate's rising profile in the banking and finance industry

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Corporate real estate's rising profile in the banking and finance industry

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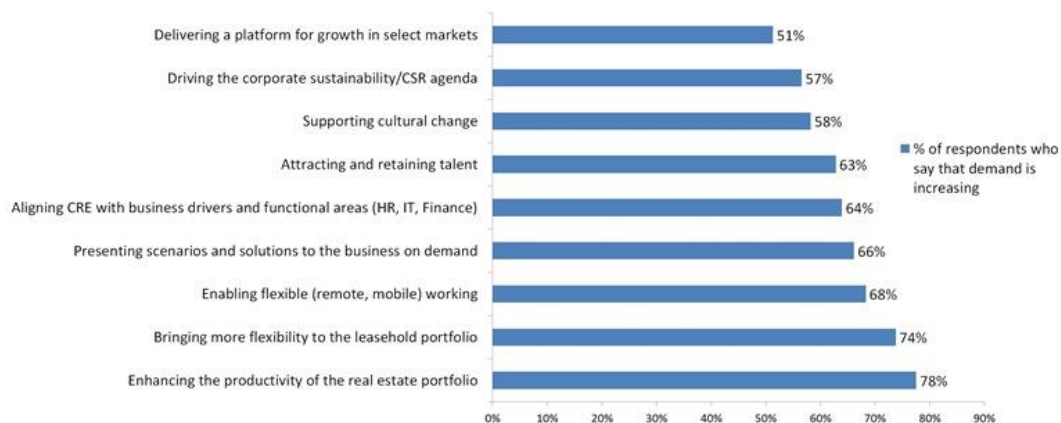
Seven years after the financial crisis, profits have returned to the banking and finance industry – statistics compiled by the Federal Deposit Insurance Corporation (FDIC) for banks in the US showed that overall industry profits hit near record highs in 2014.

However, some pain from the crisis remains. According to a recent JLL report on the banking and finance industry in the US, banks there saw a \$4.4 billion increase in litigation costs in Q4 2014, with much of it arising from legal bills attributable to the financial crisis. In addition, overhead costs in the industry have also been driven up by compliance and security expenses which have risen substantially since the crisis.^[1] In a bid to lower expenses while protecting revenues, many banks and financial institutions have focused on driving efficiencies within their real estate portfolios. The third biennial Global Corporate Real Estate Survey recently conducted by JLL finds that Corporate Real Estate (CRE) teams in the banking and finance industry now have strong mandates within their organisations: 78% of CRE executives who were surveyed judged the strength of their CRE teams' mandates to be either stronger or much stronger than they were three years ago while 64% of respondents said that their CRE leaders reported directly to C-suite level executives in their banks or financial institutions.^[2]

In a sign that CRE teams in the banking and finance industry now also enjoy a high level of interaction and integration with other business functions, 90% of respondents reported that their banks or financial institutions either already had or planned to establish business relationship management programmes to boost engagement with key stakeholders within their organisations.

As a consequence of their greater involvement in the wider business strategy of their organisations, CRE teams in the banking and finance industry are experiencing growing demands from their senior leadership across a range of areas. Notably, three-quarters of respondents said that their CRE teams were experiencing growing demand from their leadership to (1) enhance the productivity of their real estate portfolios and (2) bring more flexibility to their leasehold portfolios. Further, over two-thirds said that demand was growing for the (1) enabling of flexible working and (2) presenting of scenarios and solutions to the business on demand.

How are the demands of senior leadership/C-suite on the CRE team changing in terms of the following areas related to alignment of CRE with the firm's strategic priorities?



Source: JLL

The growing cost-consciousness of the industry is also evident in the demands of senior leaders on their CRE teams in relation to the tactical delivery of CRE. In this respect, the majority of respondents reported increasing demand from their leaders for them to:

- Reduce operating expenses (78%)
- Challenge the business about presumed space needs (73%)
- Increase portfolio flexibility (72%)

Despite growing expectations, only one in five CRE executives in the banking and finance industry surveyed said that their teams were well-equipped to meet all the demands being placed on them. To learn more about how CRE teams in the banking and finance industry can grow their capabilities, look out for upcoming research insight from JLL!

[1] <http://www.us.jll.com/united-states/en-us/services/industries/banking-and-financial-institutions/2015-banking-industry-trends>

[2] <http://globalcretrends.jll.com/>